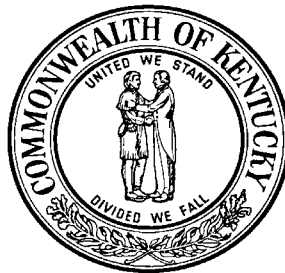


**REPORT OF THE AUDIT OF THE
ALLEN COUNTY
SHERIFF**

For the Year Ended December 31, 2001



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Johnny Hobdy, Allen County Judge/Executive
Honorable Bill Foster, Allen County Sheriff
Members of the Allen County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Allen County, Kentucky, for the year ended December 31, 2001.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Allen County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

CARPENTER, MOUNTJOY & BRESSLER, P.S.C.
AUDIT EXAMINATION OF THE
ALLEN COUNTY SHERIFF

Calendar Year 2001

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
ALLEN COUNTY SHERIFF

Calendar Year 2001

Carpenter, Mountjoy & Bressler, PSC has completed the Allen County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$57,704 from the prior calendar year, resulting in excess fees of \$273,583 as of December 31, 2001. Revenues increased by \$57,854 from the prior year and disbursements increased by \$150.

Report Comments:

- The Sheriff Should Deposit Funds Intact On A Daily Basis

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	4
COMMENTS AND RECOMMENDATIONS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky
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Members of the Allen County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Allen County Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Johnny Hobdy, County Judge/Executive
Honorable Bill Foster, Allen County Sheriff
Members of the Allen County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated September 13, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comment:

- The Sheriff Should Deposit Funds Intact On A Daily Basis.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler, PSC
Frankfort, Kentucky

Audit fieldwork completed -
September 13, 2002

ALLEN COUNTY
 BILL FOSTER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2001

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 3,224	
Cabinet For Human Resources	<u>334</u>	\$ 3,558

Circuit Court Clerk:

Sheriff Security Service	\$ 5,343	
Fines and Fees Collected	<u>750</u>	6,093

Fiscal Court		240
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County Clerk - Delinquent Taxes		1,882
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Commission On Taxes Collected		180,485
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Fees Collected For Services:

Auto Inspections	\$ 8,640	
Carrying Concealed Deadly Weapon Permit	4,155	
Sheriff's Add-On Fees - 10% of Tax and Penalty	36,494	
Accident and Police Reports	500	
Serving Papers	30,223	
Miscellaneous	<u>599</u>	80,611

Interest Earned		<u>1,545</u>
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Total Receipts		\$ 274,414
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Disbursements

Other Charges-

Equipment	\$ 177	
Postage	631	
Service Charge	<u>23</u>	

Total Disbursements		<u>831</u>
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Excess Fees Due County for Calendar Year 2001	\$ 273,583	
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Payments to County Treasurer - Monthly	<u>273,583</u>	
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Balance Due at Completion of Audit	<u><u>\$ 0</u></u>	
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The accompanying notes are an integral part of the financial statement.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and the 6.41 for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent for the first six months and 16.28 percent for the last six months of the calendar year.

ALLEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

The Sheriff's office maintains a drug fund. The January 1, 2001 beginning balance was \$2,948. Receipts of \$3,985 were deposited into the account. During the year 2001, expenditures totaled \$4,737. The December 31, 2001 balance was \$2,196.

Note 5. K-9 Fund

The Sheriff's office maintains a K-9 fund. The January 1, 2001 beginning balance was \$153. During the year, receipts of \$1,558 and expenditures were \$85. The December 31, 2001 balance was \$1,626.

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COMMENTS AND RECOMMENDATIONS

ALLEN COUNTY
BILL FOSTER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2001

STATE LAWS AND REGULATIONS:

The Sheriff Should Deposit Funds Intact On A Daily Basis

Technical Audit Bulletin 93-002, Section 4, requires the Sheriff to deposit funds intact on a daily basis. During the 2001 fee audit, we noted funds were deposited intact. However, abnormal delays (more than three business days) were noted between dates received and dates deposited for daily receipts. We recommend daily receipts be deposited as required by the Technical Audit Bulletin 93-002.

County Sheriff's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The comment described above is noted as a reportable condition and a material weakness in internal control pursuant to professional auditing standards.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

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Members of the Allen County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Allen County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated September 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Allen County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards that is described in the accompanying comment and recommendation.

- The Sheriff Should Deposit Funds Intact On a Daily Basis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allen County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition below is described in the accompanying comment and recommendation.

- The Sheriff Should Deposit Funds Intact On a Daily Basis.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, is considered to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Carpenter, Mountjoy & Bressler, PSC
Frankfort, Kentucky

Audit fieldwork completed -
September 13, 2002

